RILEY COUNTY

FINANCIAL

POLICIES

&

PROCEDURES

TABLE OF CONTENTS

INTRODUCTION –

This manual is a compilation of financial policies, written and unwritten, that have been observed by elected and appointed officials of Riley County. The intent of this manual is to combine all of these policies into a central location, similar to the Riley County Personnel Policies & Guidelines, so that those with significant degrees of fiscal responsibility can find relevant financial policies to conform to and ensure that their practices meet the standards laid out herein.

These policies are primarily intended for department heads and assistant department heads. However, they should also be made available to individuals within the department who have budgetary authority, those who make frequent and regular purchases on behalf of the County, supervisory personnel, etc. These policies are open to review by any interested employee or citizen.

These policies also establish a system of checks and balances for the protection of public funds. This system applies not only to expenditures, but revenues as well. In order for these checks and balances to be preserved and the public trust to be retained in the County's management of these funds, each person involved in these processes is required to follow the procedures provided for in these policies and expected to ask questions when they need to be asked. Ultimately, we are all responsible for the enforcement of these policies and failure to do so on the part of one person reflects poorly on everyone.

The responsibility of any formal adoption of a financial policy that affects the County's fiscal management as a whole lies with the Board of County Commissioners. Individual department heads may adopt policies applicable to their respective departments that are more stringent, but not less stringent than the County Commission's policy. It is the County Commission's policies, as set forth herein that shall be the responsibility of the Budget and Finance Officer to enforce.

Their also exists within Riley County's management structure, a Budget & Planning Committee, which is comprised of incumbents in the following positions: the Budget & Finance Officer, the County Clerk, the County Treasurer, the Public Works Director/County Engineer, the Assistant Public Works Director/Parks Director, the Planning & Development Director, and the County Counselor. The responsibility of the Riley County Budget & Planning Committee shall be to: (1) Review the cash position of the funds maintained by the county, and make recommendations for the use of those funds. (2) Review any requests for the county to incur debt. (3) Review and make recommendations on managing county risks as these risks pertain to physical, financial, and human assets, as well as legal liability exposures from a financial standpoint. (4) Review all other matters of a financial nature referred to it, and deemed necessary by, the Board of County Commissioners. The Budget & Planning Committee is responsible for overseeing these policies and making recommendations to the Board of County Commissioners regarding any necessary changes to facilitate the proper management of county resources.

PROCESS –

The Riley County budget is the end result of a process designed to provide for the expenditure of tax dollars for the benefit of the citizens. To begin the process, department heads receive Budget Request Forms that show actual expenditures for recent years, the current approved operating budget for the department as well as space for department heads to request funding for the coming year's budget. The same process is followed for all benefit districts and special funds. Outside agencies also receive notification of the process and make their requests to the County for appropriations for the coming year.

Also during this time, the County Appraiser distributes preliminary appraisal valuation figures. The County Clerk then calculates assessed valuation in order to estimate the amount of ad valorem property tax that will be received. The County Treasurer also will provide revenue estimates for the County's sales tax, interest earnings and other revenues that will be described later in this chapter. The Cash Basis Law requires that expenditures cannot be greater than cash on hand and the State Budget Law requires that actual expenditures do not exceed budgeted expenditures. Therefore, it is vital that these estimates be accurate.

Once revenues and expenditures have been determined, this "preliminary budget" is forwarded to the Board of County Commissioners for review. The County Commission will provide direction on what changes/adjustments need to be made. The County Commission is ultimately responsible to the citizens for the budget document, and more importantly, the taxes that must be levied to support it. Property taxes are the primary source of revenue for the budget. They are generated from the prior year's valuation. The value of a mill (the unit used to determine the amount of tax dollars charged to property owners) is determined by the County Clerk and is a function of the total assessed valuation of real property within Riley County. The County Commission, once the value of a mill is determined, may set a maximum levy that they are willing to approve.

Once the County Commissioners' goals have been met, the budget is published in the newspaper and a public hearing is set. A minimum of ten days must pass after the publication of the budget, before the hearing and formal adoption of the budget can take place. Once the budget is adopted, it becomes the official budget of the County. It is a legal document, and any expenditures that are going to exceed what was published in any given fund must follow the same rules as the adoption of the original document. This will be discussed in greater detail at a later point in this chapter.

BUDGETED FUNDS –

There are a variety of funds that the County could establish and utilize. State law governs what funds a county may establish, how the funds are to be used, what revenue sources can fund these various funds, and whether or not these funds are required to be budgeted or not. Riley County uses several types of funds. The types of funds and their purposes are as follows:

General Fund: The General Fund is used to account for all unrestricted financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than special assessments or major capital projects that are restricted by law or administrative action to expenditures for specific purposes. Some examples of Special Revenue Funds include the Capital Improvements Fund, the County Building Fund, the Register of Deeds Technology Fund and the Treasurer's Special Auto Fund.

Debt Service Funds: Debt service funds are used to account for the accumulation of resources for and the payment of, interest and principal on general long-term debt and the financing of special assessments[1] which are general obligations of the County.

Capital Projects Funds: Capital Projects Funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities and improvements, other than those financed by Proprietary Funds.

Proprietary (Enterprise) Funds: Proprietary or Enterprise Funds are used to account for operations where it is the intent that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. Some examples of proprietary funds include the Emergency 911 Fund and the Solid Waste Disposal Fund.

REVENUE SOURCES –

The primary source of revenue for Riley County is the Ad Valorem Property Tax. This tax is levied on the assessed value of property in the County. The appraised value of any real property is taxed at a rate based on the class of property that it belongs to. For example, residential property is taxed at 11.5% of appraised value. Commercial property is taxed at 25% of appraised value. Thus, the assessed value of a $100,000 home is $11,500, and a $100,000 building used for commercial purposes has an assessed value of

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[1] Special Assessments are taxes levied against a specified group of property owners to pay off debt incurred to construct infrastructure such as water, sewer, or street systems that benefit this same specified group of individuals. These are considered either proprietary funds or capital project funds and are listed in the County's annual budget as well as the annual audit.

$25,000. It is the assessed value that is used to determine the amount of ad valorem property tax to be levied, which is based on the number of mills that the Board of County Commissioners approves during the budget process. Once the mill levy has been determined, it can be applied to the assessed value of the property. A mill is $1 for every $1,000 of assessed valuation. Therefore, in the example provided above, the property taxes owed on the $100,000 residential home will be: $11.50 for every mill levied. It will be $25 for every mill levied on the commercial property. These taxes are due for the coming year on December 20th (1st half) and May 10th (2nd half).

The property tax assessment process for the coming year begins on January 1. On this date, the County Appraiser classifies and values all taxable and exempt properties, and assessment rates are applied (see previous paragraph). By March 1st, the County Appraiser is required to notify each taxpayer of any changes to valuation or classification. June 15th is the last day for the County Appraiser to certify the completion of property appraisals. In October, as soon as possible, the County Clerk certifies tax levies to all taxing jurisdictions. November 1st is the last day for the County Clerk to certify the completed tax rolls to the County Treasurer, who then prepares the tax bills to the taxpayers. With the first half being due on December 20th and the second half due on May 10th as mentioned above.

Another significant source of revenue for the County is the local sales tax. Riley County levies a general purpose, ½ cent sales tax which is credited to the General Fund. Riley County also levies a ½ cent sales tax, which was approved by the voters, for the improvement of roads and bridges in the County. Generally speaking, by law, the sales tax that Riley County collects must be shared with the cities within the County. Half of the total sales tax dollars collected by the County sales tax is apportioned between the County and cities within the County based on the proportion of taxes levied in the prior year. The second half of the sales tax is distributed based on population. Under this formula, Riley County receives approximately 35% of the total revenue generated from the County sales tax.

Other significant sources of revenue include: Motor Vehicle Taxes, Earned Interest on Investments, State Aid for Highways, Licenses, Fees, Permits, and the Intangibles Tax. These revenue streams provide the County's budget with an important, alternative source of income which helps to alleviate the need to rely on the Ad Valorem Property Tax.

EXPENDITURES –

Riley County is required by law, to adopt and submit a balanced budget to the State Division of Accounts and Reports each fall. Each fund employed by Riley County which is required to be budgeted, must be balanced. By state law, not all funds are required to be budgeted. For example, capital projects funds like the Capital Improvements Fund are not required to be budgeted, but must show, for informational purposes, the amounts expended from the fund each year (K.S.A. 19-120). However, any monies transferred to the CIP Fund must be budgeted.

BUDGET & EXPENDITURE POLICY:

All funds utilized by Riley County shall be budgeted, regardless of any state statutes that exempt a fund or funds from the state budget law (K.S.A. 79-2925 through 79-2937).

Therefore, the Capital Improvements Fund, the County Auction Fund, the Register of Deeds Technology Fund, the Treasurer's Special Auto Fund, and any other County fund not named here, shall be brought under the governance of the state budget law. This in turn shall be interpreted to mean that when expenditures in any of these funds are going to exceed what was published at the time the budget was adopted, the budget for these funds shall be amended in accordance with state law.

BUDGET AMENDMENTS –

As a result of the policy to budget all funds regardless of state laws allowing otherwise, all funds shall also be amended in accordance with the state budget law.

BUDGET AMENDMENT POLICY:

In the event that a County fund needs to be amended, the responsible department head shall communicate such need to the Budget and Finance Officer, who shall reserve time with the Board of County Commissioners to discuss the amendment. The respective department head shall be present at the BOCC meeting in the event that questions are asked as to why the amendment is needed. The County Commission shall then approve or deny a motion to amend the budget for the fund in question. In the event that the amendment is approved, any necessary fund transfers shall then be made.

Prior to the end of the year for which the amendment was approved, the Budget and Finance Officer shall compile a list of all necessary budget amendment(s), complete the required state forms, and publish the amendment(s) in accordance with state law. A hearing shall be scheduled ten days subsequent to the publication, which shall be followed by the adoption of the amendments. This must occur prior to the end of the budget year in order to avoid violation of the state budget law.

ESTABLISHING & CLOSING FUNDS –

Every effort shall be made by all department heads to utilize the funds that are currently established. From time to time, however, new funds will be established as prescribed by state law, as they arise out of necessity as a result of certain bond issuances, receiving of certain grants[2], or for other special and compelling circumstances. Any need that arises to track expenses for various items separately shall be assigned project codes in order to avoid unnecessarily opening new funds.

When the useful purpose of a fund has passed, any fund balances shall be dealt with in accordance with state law. If necessary, the County Counselor shall issue a legal opinion guiding the County Commission as to what must be done with the unexpended funds. Once a decision to close a fund has been made by the County Commission, the Budget and Finance Officer shall notify all affected parties as well as act to carry out the Commissioners' decision. Once the fund has been closed, no further revenues or expenditures will be allowed to pass through the fund.

PROCEDURE FOR ESTABLISHING A FUND:

Once it has been determined that a new fund is necessary, the respective department head shall obtain the Authorization to Establish a New Fund Form from the Treasurer's office. No fund will be established without this form being completed.

The County Clerk shall prepare a resolution authorizing the establishment of a new fund, except in instances where such fund is a condition of receiving grant monies, or specifically required and/or authorized by state law and the Budget and Finance Officer will present the form and resolution to the Board of County Commissioners for consideration and approval. If approved, the BOCC shall sign the resolution and the Chairman shall initial the Authorization Form.

The Authorization Form and a copy of the resolution shall be returned to the Treasurer's Office to establish the fund and the Budget and Finance Officer shall prepare the necessary budget amendment.

[2] Grants are described in greater detail in Appendix B, the Riley County Procurement Code for Federal Grants.

PROCESS –

The issuance of debt is a crucial tool for Riley County to utilize in maintaining the large network of roads, bridges, public buildings, water, and sewer systems. Maintaining these systems is vital to the health and well being of the citizens of the County, but unfortunately, the expense that is required to keep these infrastructures at an acceptable degree of usability is insurmountable without the use of debt.

Because the useful life of a road, bridge, or any other of the previously mentioned infrastructures is usually at least 20 years, it is inconceivable that the County would ask the citizens of today, to pay for the entire cost of an improvement that will be benefiting the citizens of tomorrow. In order to pay for these improvements without overburdening our current citizens, debt is used to assist in the replacement of capital structures and as a way to charge the costs of the replacement over the course of a number of years and to all citizens who will benefit from the improvement.

While debt issuances dramatically increase the purchasing power of the County, debt used improperly can also lead to undue burdens on the County's budget. Projects or purchases that are recommended to the Board of County Commissioners for completion using debt (both long term bond issues and short term lease purchase obligations) as the primary funding mechanism, must be projects or purchases with an expected life ranging from 5 to 20 years.

STATEMENT ON DEBT ISSUANCE:

The use of debt should only be considered after careful thought has been given to other options at the County's disposal. These options include, paying for the project from cash on hand or using a pay-as-you-go method.

Furthermore, once it has been determined that debt financing is the only option available, consideration shall also be given to the following:

- Amount of debt currently outstanding for Riley County;
- Source of revenue for the bond payments;
- Length of time to pay off the issue (no more than 20 years – unless extenuating circumstances exist, and not longer than the useful life of the improvement);

TEMPORARY NOTES –

One debt tool that may be used by the County is called a Temporary (Temp) Note. These are generally issued for terms of 1 year, although some may be extended up to 3 or 4 years. Their purpose is to provide funds to the County for unforeseen expenses that can not be handled with cash on hand, or in other cases, where the County needs a large sum of money to begin projects and intends to pay off the Temp Notes with a G.O. bond at the time the Temp Note matures. The County has developed a Temp Note issuance process.

PROCEDURE FOR TEMPORARY NOTE ISSUANCE:

In order for a temporary note to be issued, several steps must be followed to ensure that the proper individuals are informed of the pending issuance as well as all of the relevant information is gathered for Bond Counsel as well as the Board of County Commissioners. This procedure is laid out below.

1. Any department needing temporary notes shall notify the Projects/Finance Council of the need for temporary funding. The department will provide the **Budget and Finance Officer** with a "Project_Summary/Expense Report". The **County Counselor** shall also be notified of the project and a resolution containing all necessary information will be completed and presented to the Board of County Commissioners for their approval. This resolution shall include but not be limited to the following information:
    - **a.** Project name
    - **b.** Total amount of project
    - **c.** Funding source
    - **d.** Project start and completion date
    - **e.** Up to $10,000 initial funds (borrowed from the General Fund at 6% interest)

    If necessary, the department shall obtain a New Fund form from the **County Treasurer**. This form will be completed and returned to the **Budget and Finance Officer** for processing.

2. The **Budget and Finance Officer** will provide **Bond Counsel** with preliminary issuance information obtained from the "Project Summary/Expense Report". The Budget and Finance Officer, in coordination with the Department Head, or their designee will complete the "Project Summary/Expense Report".

3. **Bond Counsel** prepares and submits to the **Budget and Finance Officer,** a tentative timetable for the issuance of the bonds, which will be distributed to the **Projects/Finance Council.**[3]

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[3] The Projects/Finance Council is made up of the following:
County Clerk, County Counselor, Public Works Director, Budget & Finance Officer, Tax & Accounting Supervisor, Assistant County Engineer, and Administrative Assistants from the Clerk's Office, County Counselor's Office, and the Public Works Office.

4. **Bond Counsel** will mail drafts of project documents to the **Projects/Finance Council**. Corrections, if any, are made and revisions returned to **Bond Counsel.**

5. **Bond Counsel** obtains necessary copies of audit report and authorization letter from County's Auditor.

6. **Bond Counsel** will prepare and mail to the **Budget and Finance Officer:** Temporary Note, Resolution, Bid Proposal, Notice of Note Sale, Preliminary Official Statement (the **Budget and Finance Officer** will need to verify that the Preliminary Official Statement contains current financial and other information), additional cover pages for Preliminary Official Statement, and the form letter from Sink, Gilmore, and Gordon LLC. Copies of all documents are given to the Projects/Finance Council as well as the department requesting the Notes.

7. **Bond Counsel** takes care of all bid matters. This includes accountant letter, latest audit report, bid proposal, sale notice, Preliminary Official Statement, etc. copies are provided to the Projects/Finance Council.

8. The **Budget and Finance Officer** will monitor the receipt of bids and attend bid openings. **Bond Counsel** will make recommendations on bid and contact the low bidder.

9. **Bond Counsel** obtains and mails audit copies, Official Statement, and other documents to the Buyer, and prepares and distributes issuance documents, to the **Projects/Finance Council.** This will include the Final Certificate and the Agreement between the Issuer and the Agent.

10. **Bond Counsel** computes interest and notifies the **Project/Finance Council** of arrival date of proceeds, total amount, and provides detailed electronic wiring instructions to the **Budget and Finance Officer.**

11. **County Treasurer** provides Buyer with wire transfer information and notifies the **Projects/Finance Council** when proceeds arrive.

12. For Temporary Note pay-off, **Bond Counsel** will calculate pay-off and notify the **Budget and Finance Officer.** The information shall include maturity date, total amount of pay-off and wiring information.

13. **Respective Department Head** advises the **County Treasurer** of allocation of receipts among proper funds.

14. **Budget and Finance Officer,** in conjunction with the receiving department, will track all expenses on projects and prepare a monthly financial report for the **Projects/Finance Council.** The **Budget and Finance Officer** will monitor the status of all temporary note maturity dates and notify the Projects/Finance Council if additional funds are necessary.

15. **Respective Department Head** will notify the **Budget and Finance Officer** of project completion by providing each with a "Certificate of Completion".

GENERAL OBLIGATION BONDS –

The primary bond is the General Obligation (G.O.) bond, which is a low risk bond in the view of investors because the G.O. bond is backed by the full faith and credit of the County. The County, in issuing G.O. bonds, pledges to levy a property tax sufficient to meet the annual payment obligations. A G.O. bond is a long term financing mechanism.

REVENUE BONDS –

Another type of bond is the revenue bond. A revenue bond derives revenue to meet the bond payments from a specified source. For example, the Law Enforcement Center was funded using revenue bonds – the revenues for which came from a special ½ cent sales tax approved by the voters of Riley County. Another example is the Solid Waste Transfer Station. Revenues earned from the deposit of refuse are transferred to the Bond and Interest Fund to pay the bonds that were issued to construct the Transfer Station facilities. It is possible, depending on the wording of the bond documents, to issue bonds that are backed first by a defined revenue stream, and in the event that the revenues generated are insufficient to make the bond payments, another source, property taxes (for example), would be levied to cover any shortfalls. These bonds are long term financing mechanisms.

LEASE-PURCHASES –

Lease purchase agreements are periodically entered into when it is financially beneficial to the County. Consideration is given to the useful life of the equipment under consideration, the cost of the piece of equipment, and whether the County has the funds on hand to purchase it outright through CIP funds. Lease purchases are short term financing mechanisms.

DEBT PAYOFF & REFUNDING –

Economic conditions will largely dictate whether the County elects to payoff early any outstanding debts or refinance outstanding debts. It must always be remembered that one reason for debt financing is to equitably allocate the cost of the project among all citizens who will benefit from it.

DEBT PAYOFF & REFUNDING POLICY:

Considerations for the early retirement of debt shall include the length of time remaining on the debt issue, the impact of early payoff on the County's cash flow in the fund from which the proposed payoff will be made, and interest savings to the County.

Refunding or refinancing of outstanding debt shall be considered in consultation with the County's financial advisor and bond counsel.

The Board of County Commissioners shall approve all early payoffs and refunding of debt issues.

CHAPTER 3 – CAPITAL IMPROVEMENTS PROGRAM

CIP OVERVIEW –

A Capital Improvements Program (CIP) serves as a guide for the efficient and effective provision of public infrastructure, facilities, equipment and technology by continually planning for these needs. The CIP is published annually and illustrates the proposed development, modernization, or replacement of fixed public assets over a multi-year period. The CIP presents these projects in a sequential order based on a schedule of priorities and assigns an estimated cost and anticipated method of financing for each project.

Planning for capital improvements over time optimizes the use of Riley County's limited financial resources and assists in the coordination of public and private development. In addition, the planning process is valuable as a means of coordination among County agencies to avoid duplication of efforts and to take advantage of joint planning and development of facilities where possible. By looking beyond year to year budgeting and projecting what, where, when, and how capital investments should be made, the CIP enables Riley County to maintain an effective level of service to the present and future population.

When there is sufficient time for planning, the most economical means for financing each project can be selected in advance. The CIP can also facilitate reliable capital expenditure and revenue estimates and reasonable bond programs by looking ahead to minimize the impact of capital improvement projects. Keeping planned projects within the financial capacity of the County helps to preserve its credit rating and makes it more attractive to business and industry. Thus, the CIP is an integral element of Riley County's budgetary process.

1. The Capital Improvement Program is a multi-year plan for capital expenditures needed to replace and expand public infrastructure. The program is updated annually to reflect the community's latest priorities, updated cost estimates, and latest estimates for federal aid.

2. A capital project is considered a major (greater than $5,000), nonrecurring tangible fixed asset with a useful life greater than one year. Projects under $5,000 (excluding land purchases) or expenses that are maintenance related are placed in the department's operating budget.

3. Before the budget process begins, each department head will submit their respective CIP request. The CIP request will include department name, name of project, priority of project, explanation and justification for project, cost, and estimated time frame.

CIP CATEGORIES –

1. Acquisition of or option to buy land and/or rights in land, whether by purchase or eminent domain proceedings, regardless of cost.

2. Construction of any new facility, structure, building, or public improvement or any addition/major renovation to an existing structure.

3. Acquisition of fixed equipment, machinery, or information technology. Information technology is defined as all hardware, software, and peripheral devices that the Information Systems department supports and/or services.

4. Preliminary planning costs for architectural and engineering studies to help ensure that projects are well thought out and have reasonable and accurate cost estimates. Planning funds will be repaid from project funding if approved in the CIP.

PRIORITIZING CAPITAL IMPROVEMENTS –

The priority definitions are as follows, and are assigned by the Board of County Commissioners. It is the department heads' responsibility to convey their view of the importance of the respective projects.

PRIORITY I. Imperative. The project must be done to avoid undesirable consequences such as the loss of life or property, or these projects will positively impact a majority of Riley County citizens. Additional funding for on going, previously approved projects are Priority I projects. Projects that include inflexible timing and/or funding (i.e. matching federal aid dollars in a particular federal fiscal year) are Priority I projects.

PRIORITY II. Essential. These projects will meet clearly demonstrated needs. They are essential to the protection of life and property and will positively impact a majority of Riley County citizens. These projects must produce a measurable reduction in operating costs. Funding is more flexible for these projects.

PRIORITY III. Important. These projects, while being desirable and of benefit to the community, can be delayed without detriment to basic services or putting life or property at risk.

PRIORITY IV. Desirable. Desirable projects, however they are not included in the plan as they lack immediate justification or positively impact only a small number of Riley County citizens.

PROCEDURE FOR REQUESTING A CIP PROJECT:

1. **CIP Budget Request Forms** will be sent out prior to commencing the preparation of the Operating Budget by the Budget and Finance Officer to all Department Heads.

2. Department Heads will fill out the **CIP Budget Request Form** to cover all projects for the next 5 years. These forms are due to the Budget and Finance Officer two weeks after the requests are sent out. *NOTE: If the project is I.S. related, the CIP Budget Request Form must include the required I.S. information as well as the approval from the Information Systems Coordinator.*

3. All requests will be compiled by the Budget and Finance Officer and added to the **All-Inclusive, Non-funded Projects** report.

4. A general meeting with the Commissioners and the Budget Committee will be set to discuss the CIP budget requests. All department heads with a CIP Budget Request should attend to answer questions pertaining to their specific project. The Commissioners will review all CIP Budget Requests to determine which projects will be funded during this meeting as well.

6. Based on the decision by the Commissioners on the projects to be funded, they are placed on the **Funded Projects Cash Flow Analysis** report that is administered by the Budget and Finance Officer. *NOTE: If at anytime throughout the year (after the Commissioners have adopted the CIP) a new project is introduced, a **CIP Budget Request Form** must be completed and the process outlined above followed. All original signed copies are kept on file in the Clerk's office with the Budget & Finance Officer. Copies will be distributed to the Department Head assigned to the project. During the planning process, requests will be sent to all Department Heads for their review and advised of their presentation to the Commissioners.*

7. The **All-Inclusive, Non-Funded Projects** report, **Funded Projects Cash Flow** report, and **Completed Projects** report will be presented to the Commissioners during the Commission Meeting on the fourth Thursday of every month at 10:00. In the event that a project becomes an emergency, the proposed project will be presented to the Commissioners and if necessary, adjustments made to the funded projects list to accommodate the project. This may require previously approved projects being delayed and priorities will have to be reassessed by the Commissioners. All affected department heads will be kept informed during this process.

PROCEDURE FOR FUNDING & AMENDING A CIP PROJECT:

1. A **CIP Project Funding, Amendment, and Completion Form** must be initiated by the Budget and Finance Officer for the funding to be approved. After the Budget and Finance Officer completes the Budget Request Form, the Department Head's signature is required. The Department Head should communicate any requests for amendments in writing to the Budget and Finance Officer as soon as possible. The Budget and Finance Officer uses the same, original form used to activate the initial funding of the CIP project and attaches the current **All-Inclusive, Non-funded Project Report** and the current **Funded Project Cash Flow Report.**

2. This form will be delivered to the Treasurer's office which shall verify that the necessary cash is available to activate the project for initial funding or any necessary amendments.

3. The Clerk's office verifies that budget authority exists for the initial activation or amendment.

4. The Board of County Commissioners finalizes the project activation form with the Chairman's signature verifying the approved amount for the initial project and any amendments to the original project.

5. The Original signed copy will be kept on file in the Clerk's office with the Budget and Finance Officer.

6. The funded project will then be listed on the **Funded Projects Cash Flow Report** by the Budget and Finance Officer.

7. Project purchases are the responsibility of the Department Head and are subject to the purchasing rules of Riley County.

COMPLETING A CIP PROJECT –

The department head notifies the Budget and Finance Officer in writing when the project is complete and the total expenditures. The Budget and Finance Officer uses the original **CIP Project Funding, Amendment, and Completion Form** for that project to document the completion. This form is delivered to the Department Head for signature with copies distributed to the Treasurer, Clerk, and the Department Head assigned to the project. The completed project is then transferred to the **Completed Projects Report** and reported to the BOCC during the monthly CIP review meeting.

CHANGE OF STATUS FOR A CIP PROJECT -

From time to time, it will become necessary to change the status of a CIP project. If a previously non-funded project becomes funded, or a previously funded project becomes non-funded, the change of status process below, shall be followed.

PROCEDURE FOR CHANGING THE STATUS OF A CIP PROJECT:

1. A **CIP Project Status Change Form** must be completed by the Budget and Finance Officer for any project that requires a change in funding status and must be approved by the BOCC. The initiator must communicate the request for status change in writing to the Budget and Finance Officer.

2. The **CIP Project Status Change Form** will be presented to the BOCC for approval and signature of the Chairman. The **CIP Project Status Change Form** shall also be signed by the Department Head.

3. The Original signed copy will be kept on file in the Clerk's office with the Budget and Finance Officer and copies distributed to Treasurer, Clerk, and the Department Head assigned to the project.

4. The project will then be transferred from the **Funded Projects Cash Flow** report to the **All-Inclusive, Non-Funded Projects** report by the Budget and Finance Officer.

INVOICES FOR CIP PROJECTS –

Department Heads who receive invoice(s) for CIP projects shall verify that the work was completed satisfactorily (or equipment delivered as promised) and signs off on the invoice, and forwards to the Budget and Finance Officer. The Budget and Finance Officer codes (if necessary) the invoice(s) with the Fund, Department, Object Code, and Project Code and forwards them to the Administrative Analyst for payment who follows the 2002 Invoice Procedure as presented on the Riley County Network (W drive).

MISCELLANEOUS PROVISIONS –

CIP Project Status Codes: **Non-Funded** projects are those projects that have a **Budget Request Form** completed on them. **Funded** projects are those projects that have been activated utilizing the **CIP Project Funded, Amendment, and Completion Form**. **Completed** projects are those projects that have been formally closed by the Department Head responsible for the project utilizing the **CIP Project Funded, Amendment, and Completion Form**.

CIP Forms: **Budget Request Forms** are used to initiate a request for a CIP project to be put on the **All-Inclusive, Non-Funded Project** report. A **CIP Project Funded, Amendment, and Completion Form** is used to activate a CIP project for funding, amend the original funding amount, and/or formally complete the CIP project. A **CIP Project Status Change Form** is used to initiate a request for a change in Project Status on funded projects.

CIP Reports: The **All-Inclusive, Non-Funded Projects** is a report that lists in detail all projects that have been **requested** by Department Heads, but have **NOT** been funded. The **Funded Projects Cash Flow** report lists in detail all projects that have been **funded.** The **Completed Projects** report lists in detail all project that have been **completed.**

CHAPTER 4 – OTHER FINANCIAL POLICIES & PROCEDURES

PETTY CASH & FUEL CARDS –

The purpose of a petty cash fund is to provide funds for incidental expenses that occur periodically through the month and it would be too expensive and time-consuming to use a formal voucher. The size of the petty cash fund will depend on the number and the amounts of minor expenditures, usually the amount needed for one month of expenditures. These funds are kept on an imprest basis, i.e. the funds are transferred from another line item to the petty cash fund (such as office supplies, postage, etc.). All petty cash funds will be established by a blanket resolution by the Board of County Commissioners. After the initial resolution, any change in the balance of the petty cash fund will need a separate resolution submitted to the BOCC along with a justification for the change in the balance.

The petty cash fund is to handle purchases of items with low dollar values. The fund should be the responsibility of one individual in each department. The petty cash funds should be segregated from other cash and not commingled with cash receipts. The custodian of the petty cash funds should not have access to the accounting records or cash receipts. A maximum amount (generally $25 or less) should be set for individual disbursements from the fund. Pre-numbered vouchers should be completed in ink (to discourage alterations) and include the date, amount, nature of the expenditure and should be signed by the recipient of the cash. A responsible individual other than the custodian of the fund should approve all petty cash vouchers, insuring that proper policies and procedures have been followed.

PETTY CASH & FUEL CARD USE POLICY:

When items are purchased with petty cash funds, the receipt for the purchase is put in the petty cash box (or otherwise accounted for). The receipt must equal the amount of the expenditure(s). Fuel cards may be checked out to employees when they are unable to obtain fuel at the county fueling station. These cards are to be used strictly for the purchase of fuel for county owned vehicles. Receipts must be retained when these cards are used, and returned with the card for reconciliation with the monthly statement. Under no circumstances, shall petty cash funds or fuel cards be used for personal purposes.

When petty cash funds need replenished, a voucher, along with the receipts are given to the Clerk's office for reimbursement. This must have a breakdown of the amount expended for various line items. With expenditures, the total of the cash and receipts must always equal the amount of the original petty cash. As money is collected for copies, fees, etc., the cash plus a petty cash receipt is put into the box. Cash in the box will equal beginning cash plus any receipts. These receipts must be deposited, at least monthly, with the Treasurer's office and credited to: (fund)-(dept.)-0602 (misc. collection). At the end of the month, the amount in the petty cash box will equal the original amount.

PREPAID REVENUE –

Prepaid revenues are advance payments received for services or goods before the services have been performed, or the goods received. This should be done only when it is not cost efficient to have the customer pay on a cash basis when the service is performed or the goods received.

An example of prepaid revenue might be if the Appraiser's office has a customer that periodically needs maps that cost $1.50, but the customer does not need a lot of maps at any one time. It is very costly for both the customer and the County to process the paperwork for $1.50 each time. If the Appraisers office desires to take prepayment, they would accept any amount of money that the customer is willing to spend prior to receiving the maps. Someone in the Appraiser's office would then need to track the number of maps the customer received until the amount of prepaid funds is used up.

PREPAID REVENUE POLICY:

Each department that accepts prepaid revenues will be responsible for keeping track of the actual rendering of the services or goods received. Since the County must operate in accordance with the cash basis law, it is necessary to record the receipt of the payment as revenue at the time of the receipt of the cash. Revenue should be recognized when they are both "measurable and available to finance expenditures of the fiscal period" (GAFRM 5.04[1]). At the time of the payment, the department shall put the entire amount of money into the general fund, using a paid-in form (see Accounts Receivable Policy below).

INTERNAL REIMBURSEMENTS –

Internal reimbursements of expenses are required when an expenditure is recorded in one fund but are properly applicable to, and should be paid for, out of another fund. These transactions may have been recorded in improper funds inadvertently, or as a matter of expediency but without interfund receivable or payable accounts being established. These transactions may occur as a matter of necessity, because the correct funds involved and the appropriate amounts to be charged to each fund may not be evident at the time of the transaction. Alternatively, the ability of the reimbursing fund to make the payment may have been uncertain.

An example of an internal reimbursement would be when the Clerk's office purchases maps from the Appraiser's office. The Appraiser's office has already paid for the maps and recorded them as an expense. When the Clerk's office purchases the maps from the Appraiser's, it is a reduction of expense for the Appraiser and an increase in expense for the Clerk's office. Therefore a reimbursement is done.

POLICY ON INTERNAL REIMBURSEMENTS:

Whenever there is an internal reimbursement, the reimbursement should be made to the expense line item where it was paid out. However, in the interest of expediting procedures, each department has the option of crediting the reimbursement to the specific line item used for the expenditures or a line item for reimbursements. The important thing to remember is that the reimbursement reduces the expenditures and is not recorded as revenue. This enables the department to still have the complete budget authority that was granted at the beginning of the year without amending the budget. It also does not over inflate the revenues of any department.

The expenditure should be recorded only in the proper applicable fund. Expenditures should be reduced by the amount of the reimbursement in the fund from which the payment was initially made. This method of accounting ensures that these transactions, which should not be confused with interfund transfers or loans, are reported only once and in the proper fund (GAFRM 5.07[2]).

EXTERNAL REIMBURSEMENTS –

Examples of external reimbursement include when the County and City agree to split the costs of a traffic study, and the County is billed for the entire amount. The County will pay the full amount, and invoice the City for their portion. When this is paid, the City's portion of the expense is used to reimburse the expense line item from which the full bill was paid. Likewise, the Treasurer's office is required to pay for the return shipment of tags to Center Industries after they have been discarded. Center Industries then reimburses the County for the expenses of shipping after the invoices have been submitted. Since the original shipping is paid out of the Treasurer's Special Auto Fund, the reimbursement is then used to offset the expense. A final example of an external reimbursement involves county employees who utilize county resources for personal purposes. These employees shall be required to reimburse the county for the costs incurred by the County and attributable to this usage.

POLICY ON EXTERNAL REIMBURSEMENTS:

General external reimbursements offset expenditures that are paid for by the County that will ultimately be the responsibility of another entity. Since this expenditure is not the legal responsibility of the County, it is not accounted for as a County expense. These reimbursements are treated as "negative expenses". By crediting the reimbursement back to the line item charged, the expense is not charged to the particular department or fund. The reimbursement is not revenue because the County is not in the business of paying other entities obligations.

Employee specific reimbursements are those reimbursements that are required to be made by the employee, to the county, as a result of the employee's usage of county resources.

Resources may include the use of petty cash funds or fuel cards for personal purposes, the use of telephones to make long distance phone calls, receiving reimbursement for inappropriate expenses associated with travel, etc. Employees shall be required to reimburse the County for these expenses and be subject to disciplinary action in accordance with the Riley County Personnel Policies and Guidelines.

ACCOUNTS RECEIVABLE –

Accounts receivable are generally considered any monies owed to Riley County.

Delinquent Tax Collections:

The Riley County Treasurer's office is committed to collecting the highest percentage of taxes possible for the operation of the county and other taxing entities. Our goal is to encourage the timely payment of all bills due. We will attempt to work with customers so that their taxes do not become delinquent. We will offer as many payment options, as possible, to aid in the collection of taxes. Our ultimate goal is to have all taxes paid in a timely manner, thus reducing additional costs and inconvenience for the customers as well as the Treasurer's office staff.

As the rate of timely collections increases, the effort to collect the delinquent taxes decreases. Our collection policy will be administered in a fair and equitable manner to all customers. The general procedures for collecting delinquent taxes are set forth in the Kansas Statutes. Beyond the general statutes, we have set up a partial payment plan for delinquent taxes and an escrow payment plan for current taxes. These plans ease the burden over the entire year, rather than once or twice a year.

PROCEDURE FOR DELINQUENT PERSONAL PROPERTY TAXES:

1. Send delinquent notices to owners of record within 45 days after payment due date. Notices for delinquent taxes on personal property are required by statutes to be sent to the owner.

2. According to state statutes, after the personal property tax has become delinquent, we will deny the renewal of any vehicle plate under that owner's name. We also have a statewide system in place to identify vehicles in other counties, whose owners have delinquent taxes in another county.

3. According to state statutes, we also withhold any payment to the owners of delinquent personal property taxes.

4. If the delinquent notice for personal property is not paid within 30 days, it is turned over to the Riley County Police Department for collection.

5. If the delinquent taxes on personal property are not remitted to the Police Department within 30 days, they are entered into judgment in Riley County District Court on or before October 1 of each year.

6. For three consecutive weeks in the month of October, a list of the delinquent personal property taxes is published in the Official County newspaper as determined by the Board of County Commissioners.

PROCEDURE FOR DELINQUENT REAL ESTATE TAXES:

1. Even though it is not required by state statutes, we send out notices that the taxes are delinquent within 45 days of the due date.

2. For delinquent real estate taxes, if the current tax is not paid by July 31, they are published in the Official County newspaper for three consecutive weeks in the month of August.

3. All real estate taxes that remain unpaid on the first Tuesday in September will become the property of the County. The county will have a lien on the property until the taxes have been paid.

4. If the real estate taxes remain delinquent for two years (three years for a primary residence) then it is eligible for a county judicial tax sale.

5. Once the tax sale is filed, the owner is required to pay an additional fee for court costs.

PARTIAL PAYMENT PROGRAM:

1. This program is for partial payments on delinquent taxes and is strictly voluntary. Participation in this program does not preclude any statutory regulations.

2. The participants must sign a contract. Payments must be at least $10 per month.

3. Interest accrues until the final payment.

4. The maximum time frame for a payment program for real estate is 2 years and 1 year for personal property.

5. Real estate property eligible for the next tax sale is not eligible to participate.

6. Any late payments or defaults will terminate the contract and deny the participant the privilege of participating in the program in the future.

POLICY ON PAID-INS:

"Paid ins" are any revenues received by departments. A paid-in form must be completed for all revenues received by cash or check. The Treasurer's Office keeps blank paid-in forms and shall be used in chronological order. If a paid-in form needs to be voided, mark void on the form and return it to the Treasurer's Office.

All paid in forms must contain the following information:

1. Receiving Department
2. Current Date
3. Fund name/Transaction description
4. Fund Number/Department Number/Object Code/Project Number
5. Amount per fund/Sub-Total/Any Cash Back/Grand Total
6. A breakout of checks, bills, and coins
7. Department signature

All checks received shall be reviewed to ensure that:

1. Check is dated with the current date
2. The check is signed
3. The check amount and legal line match (Note: The bank will accept the legal line over the written amount)
4. The department has endorsed the check

Any large deposit of coins must be rolled and marked by the department. If more than four funds are needed write them neatly on the paid-in or include them on a separate paid-in form. Finally, bring the completed paid-in form to the Treasurer's Office to be recorded. The pink copy will be returned to the department and the white and yellow copies are kept in the Treasurer's Office. Should you need assistance in completing the paid in forms, check with the Treasurer's Office. Ensuring that the revenues are deposited in the correct funds with the correct object codes will save time and energy spent correcting inaccurate deposits.

ACCOUNTS PAYABLE –

As a follow up on Chapter 1's discussion of the budget process and budget amendment policies, department heads are responsible for the expenses paid out of the funds they submit budgets for. All invoices that are received by a department shall be properly coded for payment upon confirmation that the goods and/or services being billed for have been delivered and that they meet the department head's satisfaction that the goods/services have been sufficiently delivered. Additionally, all expenditures must meet the requirements set forth in the Riley County Procurement Code, which can be found in Appendix A. For non-general fund expenditures from the CIP Fund and the ½ Cent Road & Bridge Capital Project Fund, invoices shall also pass through the Budget and Finance

Officer before being submitted for payment, so an up-to-date cash flow analysis can be maintained.

With very few exceptions, invoices are paid at the end of each month. Exceptions to this might include (but are not necessarily limited to) invoices that are due before the end of the month, which if not paid, would result in late charges to the County. All accounts payable shall be presented to the Board of County Commissioners for final approval.

POLICY ON ENCUMBRANCES:

The encumbrance process allows for departments to request that funds from a current budget be made available for payment after that budget year ends. Typically the Clerk's Office will set a date in mid-December, by which all encumbrance requests must be submitted. Once this date has passed, no encumbrances will be allowed. The encumbered funds will then be available to be spent in the following budget year, provided that: 1.) The invoice that the encumbered funds are intended to pay is dated for the budget year from which the funds were encumbered; and, 2.) the invoice is received by the last business day in February. If one, or both of these conditions is not met, the expense must be charged against the current budget.

This process does not apply to funds that the Treasurer's Office writes expenses from. Any expenses that are charged against these funds shall be turned in to the Treasurer's Office by the last business day in December of the budget year.

PAYROLL POLICIES & PROCEDURES –

All payroll policies will be in accordance with the approved Riley County Personnel Policies and the Fair Labor Standards Act. Specific policies regarding leave administration and pay policies are outlined in the personnel policy manual.

Each employee is entered into the appropriate department so all clock hours are recorded. The TimeCentre system (the time clock) is set by the pay policies established through our personnel policy manual. Entry into the timekeeping system is done by the Administrative Account Analyst position in the County Clerk's Office. Any time adjustments or leave requests are approved by the department head and then submitted and processed under our payroll consolidation process. The Board of County Commissioners has given this position the responsibility of adjusting or correcting any submitted documents in order to follow the personnel policies. Once the bi-weekly payroll is completed through the timekeeping system, the data is transferred into the AS400 KOMTEK payroll accounting system.

The KOMTEK payroll accounting system has an employee maintenance system that includes general employee information, employee benefit management, and the payroll payment process. General employee maintenance is done to ensure each employee's information is current and correct. Any updates to an employee's information must be given in a timely manner to the Administrative Account Analyst to ensure all payroll data is complete for each payroll. Any changes regarding a benefit change or tax withholding change are filed in the appropriate payroll pay date file. These changes are updated prior to the completion of the appropriate payroll.

All benefits are also coordinated and administered through the Administrative Account Analyst position. The KOMTEK payroll system creates a payroll register that is balanced against the TimeCentre hours for each employee. Employee benefits are also checked for accuracy with this report. After the register is verified for accuracy, checks and direct deposit slips are printed. A file is created to perform the direct deposit transfer through the banking system. This transfer must be completed by Thursday 10:30 a.m. of each pay week.

After a bi-weekly payroll is complete, checks are created for Accounts Payable benefit vendors (such as ING, AFLAC, Aetna) and are processed by the Administrative Analyst in the County Clerk's office. These payments include KPERS, Kansas State withholding, FICA/Medicare, and Federal tax withholding and various other benefit vendors. Once the checks are processed and distributed back to the Administrative Account Analyst, the transaction entry is calculated and submitted for payment either to the Treasurer's accountant (for electronic payment of the above taxes) or through mailing.

Bi-weekly payroll reports are given to each department detailing the wages and benefits. A leave report is also provided for each department. Monthly wage and overtime reporting is done for the County Clerk's financial update to the Board of County Commissioners and is used to compare each monthly, and year-to-date payroll expenditures to the annual budget. Quarterly reporting is done for the IRS 941 reports and Kansas State Unemployment. Wages and taxes are calculated and reported by the Administrative Account Analyst. These calculations are gathered from the bi-weekly payroll registers as processed above.

Year end reporting is done for the Kansas Public Employee Retirement System (KPERS) and the Internal Revenue Service (IRS). An annual reporting statement is required to be submitted to KPERS for each eligible employee on the retirement system. The contributions are reconciled to the bi-weekly vendor payments. W-2 reporting is performed and an annual W-3 report is used to reconcile the quarterly IRS 941 reports.

POLICY ON CASHING CHECKS:

Neither customers, nor employees of Riley County will be allowed to write checks to obtain cash. Checks that are written to the County for taxes or services obtained shall be for the amount due, except in the case of prepaid revenues for services to be delivered at a later time. Additionally, employees shall not be allowed to cash payroll checks. The cash on hand is taxpayer money and using it for obtaining cash is not appropriate. Kansas State Bank has placed an ATM machine in the County Office Building, and any customer, or citizen needing cash should use the ATM.

INTERFUND TRANSFERS –

Budgeted transfers from one fund to another fund must be authorized by statute. K.S.A.79-2934 states in part: "No part of any fund shall be diverted to any other fund, whether before or after the distribution of taxes by the County Treasurer, except as provided by law." This means a transfer from one fund to another should be made only if specifically authorized by state statute, and only in accordance with that statute.

Transfers from one fund to another fund should be shown in the budget as separate line items in the affected funds and identified either as a "transfer to ______ fund" or a "transfer from _____ fund" item as appropriate. For example, the entries to record a transfer from the general fund to a capital project fund are: 1) the general fund shows an expense of transfer to the capital project fund; 2) the capital project fund shows a receipt of transfer from general fund. The "Statement of interfund transfers non-cemetery funds" located within the Riley County Budget document must include all interfund transfers.

Following is a list of common transfers:

1. Sales Tax Revenue Pledged for Special Purposes. Permits counties to pledge revenue from local sales tax (in certain instances) which may result in transfers from the general fund to other funds (K.S.A. 12-197).

2. County Utility Fund Transfers. Permits counties to transfer "surplus" money from a utility fund to any other fund. Also permits transfers to a related depreciation reserve fund (K.S.A. 12-825d).

3. Transfers to Capital Improvement Fund. Permits counties to transfer money from any fund that could make the improvement to a multi-year capital improvement fund (K.S.A. 19-120).

4. Transfers to Rural Fire District Capital Outlay Fund. Permits governing bodies of rural fire districts to transfer funds from the fire district general fund to a capital outlay fund for the acquisition of fire-fighting equipment, apparatus or machinery or land and buildings to be used for fire-fighting purposes (K.S.A. 19-3612c).

PROCEDURE FOR INTERFUND TRANSFERS:

1. The Originator will complete the **Transfer Form** and must be the person responsible for the fund the money is being transferred out of or their designee.

2. If the transfer is not a budgeted transfer, the corresponding minutes from the BOCC meeting indicating the approval from the Commissions for the transfer must accompany the **Transfer Form**.

3. The department head, Budget and Finance Officer, and the Tax & Accounting Supervisor must sign the **Transfer Form**. The original will be sent to the Tax &

Accounting Supervisor for processing and a copy of the transfer form will be sent back to the Budget and Finance Officer.

All budgeted transfers need to be submitted to the Tax & Accounting Supervisor within the year the transfer was budgeted. Please allow at least seven (7) working days for processing.

INVESTMENT OF COUNTY FUNDS -

SCOPE:

This investment policy applies to all financial assets of Riley County made by the Riley County Treasurer in the capacity of the County's Chief Financial Officer. These funds are accounted for in the County's annual financial report.

OBJECTIVES:

Funds of Riley County will be invested in accordance with Kansas Statutes Annotated, these policies, and written administrative procedures. The county's investment portfolio shall be managed in a manner to attain a market rate of return throughout budgetary and economic cycles commensurate with preserving and protecting capital in the overall portfolio. Investments shall be made based on statutory constraints and subject to available designated staffing capabilities. The first objective and priority of the investments is the safety of the investment. The second objective is the liquidity and availability of the investments at the appropriate time. And the third and final objective is the yield on the investment, which will never take precedence over the safety.

SAFETY:

Safety of principal is the foremost objective of Riley County. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value.

LIQUIDITY AND MATURITY:

The cash position of Riley County has peaks and valleys during the year which require that a portion of the investment portfolio emphasize liquidity. Securities will be purchased with maturities to coincide with the anticipated cash flows of the County with the intent to hold until maturity. Only in very extreme emergencies will they be cashed in prior to maturity. It is a policy of Riley County to consider liquidity as a priority while still recognizing the need to maximize yield. The maturity of the investments will be managed to coincide with the cash flow needs with the intent to hold all investments to maturity.

YIELD:

The investment portfolio of Riley County shall be designated to attain a market-average rate of return through budgetary and economic cycles, taking into account Riley County's investment risk constraints, cash flow characteristics of the portfolio and prudent investment principles.

DELEGATION AND AUTHORITY:

The County Treasurer is designated as investment officer of Riley County and is responsible for investment decisions and activities, under the direction of the County Commission. The County Treasurer shall develop and maintain written administrative procedure for the operation of the investment program, consistent with these policies. In order to optimize total return through an active portfolio management program, resources shall be allocated to the cash management program and this commitment of resources shall include financial and staffing considerations.

PRUDENCE AND ETHICS:

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule. This rule states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived and optimum liquidity required for operations of their county government." The prudent investor rule shall be applied in the context of managing the overall portfolio. The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the County Treasurer and Board of County Commissioners any material financial interests in financial institutions that conduct business with Riley County and they shall further disclose any large personal financial/investment positions that could be related to the performance of the county's portfolio.

AUTHORIZED INVESTMENTS:

The only authorized investments will be those set forth in the Kansas Statutes Annotated. No public deposit shall be made except in a qualified public depository as established by state laws.

PORTFOLIO COMPOSITION:

Riley County will set no restraints on the composition of the types of investments, as long as the ultimate goal of safety is met. The liquidity and rate of return will be secondary to the safety.

Riley County is empowered by statute and may take the option to place public funds in the following types of deposits:

A. Certificates of Deposit
B. NOW Accounts and Pass Book Savings Accounts
C. Money Market Accounts

Riley County is empowered by statute and may take the option to place public funds in the following types of investments:

A. U.S. Treasury Instruments
B. Kansas Municipal Investment Pool
C. Bank Trust Departments with Commercial Banks
D. Direct obligations of, or obligations that are insured as to principal and interest by the United States or any agency thereof.
E. Obligations and securities of U.S. sponsored enterprises which, under federal law, may be accepted as security for public funds.
F. Repurchase Agreements.

RISK AND DIVERSIFICATION:

Riley County recognizes that investment risks can result from issuer defaults or market price changes. Portfolio diversification is employed as a way to control risk. Investment managers are expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. In the event of default by a specific issuer, the investment manager shall review, and if appropriate, proceed to liquidate securities having comparable risks. To control market price risks, volatile investment instruments shall be avoided, unless specifically approved by the Board of County Commissioners.

INTERNAL CONTROLS:

The County Treasurer shall establish a system of internal control, which shall be reviewed by an independent auditor. The internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, third party misrepresentation, unanticipated changes in financial markets, or imprudent actions by employees and officers of Riley County.

RELATIONSHIPS WITH BANKS:

Banks and savings and loan associations seeking to establish eligibility for Riley County shall submit information as requested. No business will be conducted with any financial institution with whom or through whom public entities have sustained losses on investments. Only those financial institutions meeting the qualifications as set forth in the Kansas Statutes Annotated will be eligible.

SAFEKEEPING AND CUSTODY:

It is the goal of Riley County to achieve a risk category 1 rating for all investments as recommended by the Governmental Accounting Standards Board (GASB). This means that all securities owned by Riley County must be in the name of Riley County and held by the County or its authorized safekeeping agent.

To protect against potential fraud and embezzlement, the assets of Riley County shall be secured through third-party custody and safekeeping procedures by an institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the county listing the specific instrument, rate of return, maturity and other pertinent information. Deposit-type securities (i.e., Certificates of Deposit) shall be collateralized as required by Kansas law for any amount exceeding FDIC coverage. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

Bearer instruments shall be held only through third party institutions. Investment officials shall be bonded to protect the public against possible embezzlement and malfeasance. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment procedure. Unless prevailing practices or economic circumstances dictate otherwise, ownership shall be protected through third party custodial safekeeping. Safekeeping procedures shall be reviewed by the independent auditor.

MASTER REPURCHASE AGREEMENTS:

Riley County requires that Master Repurchase Agreements be signed by both parties and in place before entering into a repurchase agreement with any financial institutions.

BID REQUIREMENTS:

Qualified institutions shall include all financial institutions within the county approved by the Board of County Commissioners in their annual designation of the official depositories. Financial institutions shall provide their most recent financial statement upon request by the county. The county will periodically conduct an evaluation of each bank's status to determine whether it should continue to be included on the list of "Official Depositories."

Every four years, or as the County Treasurer deems necessary, Riley County will receive proposals from local financial institutions for the purpose of administering the County's checking accounts.

REPORTING:

The County Treasurer shall submit quarterly an investment report that summarizes recent as well as anticipated market conditions. The report shall summarize the investment strategies, describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the total investment return and compare the return with budgetary expectations. The report shall include an appendix that discloses all transactions during the last quarter.

Each quarterly report shall indicate any areas of policy concern and suggested or planned revision of investment strategies.

At the end of the fiscal year, the County Treasurer shall submit a comprehensive annual report on the investment program and investment activity. The annual report shall include 12 month comparisons of return and shall suggest policies and improvements that might be made in the investment program.

PERFORMANCE EVALUATION AND OPERATIONS AUDIT:

Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. Investment officials shall avoid any transaction that might impair public confidence in Riley County's ability to govern effectively.

CHAPTER 5 – RISK MANAGEMENT

OVERVIEW –

The primary purpose of this chapter in the Financial Policies and Procedures Manual is to provide department heads with an educational resource for implementing the principles of risk management into the daily operations of their department. While there are some policy aspects included herein, the key goal is to bring risk management issues to a heightened degree of awareness. If you would like more information, the Budget & Finance Officer has additional resources available.

Risk management is a very broad, and far reaching organizational function. It can encompass as much, or as little of the County's daily operations as the Board of County Commissioners deems necessary. Risk management should not be viewed as an additional requirement to one's job, but as a tool to facilitate how existing functions are carried out. Many benefits stand to be gained by department heads who integrate the principles of risk management offered in this chapter, with their existing operations. The Public Entity Risk Institute (PERI, www.riskinstitute.org) offers a detailed list of possible benefits to be gained by bringing risk management considerations into the overall management of an organization. They are:

1. Improved long term management –
   a. assists in making better choices of what you want your department to accomplish;
   b. provides a greater ability to achieve realistically set goals;

2. Improved day-to-day management –
   a. helps improve delivery of local services;
   b. minimizes time spent dealing with the consequences of risks;
   c. assists in identification, analysis, control, and monitoring of risks (primarily through awareness);

3. Improved financial management –
   a. facilitates a more informed, financial decision making process on investments, insurance needs, and cost/benefit analysis;
   b. provides better control of financial assets as a result of identifying, analyzing, controlling, and monitoring risks;
   c. helps reduce financial costs associated with losses;
   d. reduced insurance premiums;

4. Improved services –
   a. Less service disruption to customers and a positive external image;

RISK MANAGEMENT MISSION STATEMENT –

Riley County recognizes its responsibility to manage public funds in a diligent manner, consistent with the highest public expectations, and this fiduciary responsibility includes identifying, addressing, and appropriately managing risk. These risks affect the safety and well-being of employees and citizens, the county's financial stability, the county's ability to provide the services its citizens demand, and the overall vitality of the county as a whole. Meeting this end requires cooperation from both elected and appointed county officials to appropriately manage risk to Riley County.

RISK MANAGEMENT GOALS –

The Riley County Budget & Planning Committee is responsible for providing information and resources to department heads and the Board of County Commissioners on general risk management issues for Riley County when requested, and providing information and recommendations to the Board of County. The Budget & Planning Committee is also responsible for the development and maintenance of this risk management program.

The goals of this risk management program shall be to:

1. Serve as a resource to department heads during the decision making process and increase awareness of potential risks that may affect county operations;

2. Provide a written procedure for reporting and documenting events should a claim occur;

3. Provide an avenue of communication for addressing risks to Riley County among effected county officials, as these risks rarely affect only one area of operation;

4. Identify and assess risks as they arise, in order to minimize any potential impact on county assets;

5. Provide an opportunity to select and recommend for implementation, risk financing measures that include the avoidance (elimination) of risk, reduction (controlling) of risk, retaining (self-insuring) of risk, transferring (insuring) of risk, or sharing (pooling) of risk;

6. Provide an opportunity to review risk financing measures to reassess whether another, more financially beneficial option of controlling risk is available to the county;

The following discussions and policies provide support to meet these goals.

RESOURCES –

The field of risk management generally recognizes five (5) categories/areas of exposure where entities will likely experience liability and/or loss. They are: physical assets, financial assets, human assets, legal liabilities, and moral responsibilities. There is a wealth of information available to anyone interested in learning more about controlling for these exposures. This information varies in detail, depending on what your level of interest is. This section will briefly describe each of the 5 categories of exposure, and provide suggested resources for information on risk management.

Resource Number 1. Physical Assets - There are several ways to view physical assets from a risk standpoint. They can be broadly defined as either real property or personal property. Real assets are basically land and buildings affixed to the land. Personal property is everything else (vehicles and equipment, tools, supplies, technology, office equipment, etc.) Another way to view them is whether they are intended to be mobile or not. Those physical assets that are meant to be moved from one location to another are generally considered to be at a higher risk than those physical assets whose location remains fixed. "Cause-of-loss" also should be considered here. Assets that are susceptible to many causes of loss may be considered at a higher risk, than those assets that are only open to one or two types of loss.

It is important to understand as a department, where your assets lie and how they are classified. If you have any questions about how these assets are covered in terms of insurance, please contact the Budget & Finance Officer.

Resource Number 2. Financial Assets - There are multiple checks and balances, financial policies (as described in previous chapters), and insurance in place to protect the county from loss due to theft, embezzlement, fire, etc. that department heads can utilize to protect the county's financial assets. However, inflation, creditworthiness, interest rates, etc. can not be insured against, and therefore must be diligently watched and planned for in order to protect the county's financial assets. Questions regarding the proper management of county funds should be directed to the County Treasurer (or their designee). Additionally, chapters 1 through 4 provide policy directives.

Resource Number 3. Human Assets - Of the 5 areas of risk exposure to the county, the exposures posed by human assets are probably the greatest because employees can affect (positively or negatively) all other risk exposure areas, in addition to being an exposure themselves. Personnel policies are in place to guide the department head on managing their personnel. Insurance is in place to protect the county against certain liabilities that may arise out of personnel administration. Workers' compensation insurance protects employees who are injured on the job. Questions regarding personnel policies should be directed to the Human Resource Coordinator. The county also provides a large number of benefits to county employees. Some of these benefits are payable by the county, others by the employee. Questions regarding benefits should also be directed to the Human Resource Coordinator in the County Clerk's Office.

Resource Number 4. Legal Liabilities - Liability exists for the county in all aspects of county operations. Premises liability is likely the broadest and most common source of liability the county faces. Possible liabilities arise because visitors have an expectation of safety and accessibility to these public facilities. The public also expects the county to provide for safe roads and bridges police, fire, and EMS protection, and a whole host of other "core" and "non-core" government functions. Professional organizations exist almost strictly to help its members protect themselves against claims that may arise out of these types of liabilities. Further liability can arise out of passage of laws by the Board of County Commissioners, employment practices, dangerous workplaces, the operating of motor vehicles and equipment, or the failure to enforce contracts and agreements. The following policy addresses this risk.

CONTRACT REVIEW AND ADMINISTRATION POLICY:

Subject to all exceptions within the Riley County Procurement Code, all contracts naming Riley County as a party to the contract shall be approved by the Board of County Commissioners. Before presenting a contract to the Board of County Commissioners, the contract must first be reviewed by the County Counselor, who shall make a recommendation as to their legality, by signing it "approved as to form", if the terms of the contract appear to be legal. In order to allow the County Counselor sufficient time to review the contract, the department presenting the contract shall contact the County Counselor well in advance of placing any contract on the Commission agenda. All contracts approved by the Board of County Commissioners shall subsequently be copied by the managing department to the County Counselor's Office and dually tracked by the department and the County Clerk's Office to ensure the terms of the contract are followed by both parties. Tracking the contract to ensure the terms of the contract are followed by both parties is the responsibility of the department managing the contract. It is also the responsibility of the department managing the contract to notify the County Commission if the department discovers that the terms of the contract are not being followed by any party to the contract.

Resource Number 5. Moral Responsibility - Moral responsibility simply addresses the ethical aspects of risk management. Employees that intentionally create situations in order to incur a loss or failing to take diligent and proper precautions when it is known that doing so will prevent a loss are examples of risks associated with poor management of moral responsibility.

Certain aspects of each of these exposure areas are related to one another. Improperly addressing one exposure can certainly compound risk in another exposure. Conveyance of these risks often suffices to minimize these risks. Therefore, communication is the key to successfully protect the county against each of these exposures. The next section discusses avenues of communication that should be maintained and procedures to follow not only to prevent loss, but also in the event that a loss occurs.

RISK MANAGEMENT COMMUNICATION POLICY:

This policy makes a distinction between procedures for communication of risks and possible hazardous situations, and procedures for communication of losses once they have occurred.

Each department head is encouraged to establish their own procedures for county employees to report to them, anything that may pose a risk to other people and/or property within their control. This can include, but is certainly not limited to, conditions of county owned property (buildings, sidewalks, handrails, roads, etc.), unsafe working conditions and/or practices, improper handling of funds, poorly maintained equipment, etc. It will be the responsibility of the department head or their designee to review these concerns and make an assessment of the risk in accordance with these policies.

In the event that a loss has occurred, all documentation regarding a loss shall pass through the Budget & Finance Officer in order to coordinate the claims management process efficiently. The Budget & Finance Officer shall then review any documentation with the appropriate department head(s) as necessary, and in the event that legal issues arise, the County Counselor shall then assume primary responsibility for coordinating all matters regarding the claim. For the purposes of this policy, a loss is defined as damage or injury to property or person(s) (excluding Workers' Compensation claims) that may require the involvement of one or more of the county's insurance companies.

RISK IDENTIFICATION & ASSESSMENT –

As mentioned above, risks can arise from five categories of exposure. More specifically, these exposures can be classified into one of the following areas (more detail is available in the Clerk's Office[4]):

1. Natural Hazards
2. Contracts & Legal Arrangements
3. Financial Operations
4. Misconduct by Public Officials & Employees
5. Acts/Omissions by Third Parties
6. State/Federal Laws/Regulations
7. Economic Conditions
8. Govt. Activities/Services
9. Loss of Outside Resources
10. Property Loss
11. Use of Technology
12. Workforce

Each of these areas will affect departments differently. Each department head is encouraged to review and assess these areas periodically and determine the risks that these categories present to them, and develop plans to address the exposure(s). Assessment of the identified risk shall include both an assessment of the potential frequency of the loss as well as the potential severity of the loss. Frequency refers to how often the loss will occur while severity refers to the amount and impact of the loss on the

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[4] Cited: Risk Identification and Analysis: A Guide for Small Public Entities. Claire Lee Reiss, J.D., ARM. Available at www.riskinstitute.org.

county's operations. Severity certainly includes the pure dollar costs of the loss but can also include lost time, productivity, etc. These estimates are important because they provide department heads with the basis by which to evaluate a potential loss from one of the 12 areas of risk (enumerated above). Obtaining a mathematically precise number is not as important as accurately defining a potential risk as either "high" or "low". For example, if you compare Riley County against a more rural county in Kansas, the definition of "high frequency of auto accidents" will be considerably different simply because Riley County owns many more vehicles and employs several more employees than a largely rural county. In terms of pure dollar losses (the cost to replace the vehicle), severity would be quite similar. Adding soft costs such as productivity losses however, the difference in severity becomes nearly as wide as the difference between the two frequency classifications.

The following matrix can assist the department head in assessing the risks in their department.

RISK MATRIX		
	Low Severity	High Severity
Low Frequency	Low Frequency/Low Severity	Low Frequency/High Severity
High Frequency	High Frequency/Low Severity	High Frequency/High Severity

If an exposure is identified by the department head as a high frequency/high severity exposure, the department head is encouraged to meet with the Budget & Planning Committee to assess this risk, and develop a plan to control the risk. In the event that an exposure is deemed to be one of high frequency/low severity or low frequency/high severity, the department head may wish to discuss the risk with the Budget & Planning Committee. Exposures with low frequency/low severity shall remain at the departmental level.

There are 12 generally accepted, classifications of risks. These are enumerated immediately beneath the Risk Identification & Assessment heading. The Budget & Finance Officer has specific examples of losses under these categories as well as worksheets for each of these areas which can guide department heads through the process of identifying losses, estimating their frequency & severity, and identifying strategies to address the risk.

RISK FINANCING & REVIEW –

There are five options to control the above defined risks. This section will review these options. The Budget & Planning Committee is responsible for assessing all exposures/risks that are presented to it and considering the best options for controlling these risks. The Budget & Planning Committee, in consultation with the affected department head will make recommendations to the Board of County Commissioners on controlling these risks. The Board of County Commissioners is ultimately responsible for determining the county's tolerance for risk for each exposure and this determination is generally made on a case by case basis.

Financing Option Number 1. Risk Avoidance – Avoiding the activity that gives rise to risk is the only guaranteed financing option to preventing a loss. Unfortunately, avoiding some risks leads to others and the types of activities governments provide are simply unavoidable. Therefore, it is rare that risk avoidance would be a viable solution to the county.

Financing Option Number 2. Risk Reduction – Risk reduction measures involve several managerial techniques including employee training/education, regular vehicle maintenance and repair, policies that require employees to wear personal protective equipment, installation of ergonomically correct workstations, installation of smoke detectors, burglar alarms, emergency response procedures, etc. Additionally, separation (storing items of value in separate locations to the extent that it is possible) and duplication (backing up computer files and maintaining separate and duplicate hard copy files to the extent possible) are two common loss reduction techniques that the county currently utilizes. A key element of risk is its uncertainty. Information technology has helped decrease dramatically the time required to understand any given issue. Informed decisions can be made more quickly. Information technology has vastly simplified the research component of the public policy process. Utilizing technology and anything else that can be done to minimize the chance of a loss occurring can be categorized as a risk reduction measure. It is important to note that none of these measures can prevent loss, but all of them can minimize the impact a loss may have.

Financing Option Number 3. Risk Transfer – Transferring risk is not risk avoidance. The most common type of risk transfer that the county does is to purchase insurance. Premiums paid for the coverage received is a form of risk transfer. The county is paying another entity, to assume the risk for loss beyond a certain point – the deductible. The Budget & Finance Officer is responsible for managing all county insurance policies and overseeing the purchase of these policies. Additionally, the county commonly transfers risk through contracts for services from outside vendors. When this is done, certificates of insurance are required to be provided by the vendor as evidence that the vendor has proper coverage to protect themselves, but more importantly, the county.

Financing Option Number 4. Risk Retention – There are two forms of retention - planned retention and unplanned retention. Planned retention of risk involve situations where the county has identified a risk, but due to its placement in the risk matrix above, has chosen to not insure against loss associated with that risk. An example of this might be the election to only carry liability insurance on vehicles with values below $15,000. The cost to provide full coverage to all vehicles regardless of value exceeds the benefits received when considering older vehicles, so the county has elected to retain this risk.

Unplanned retention refers to those situations that arise that were not foreseen and obviously not insured for.

Financing Option Number 5. Risk Sharing – Sharing in risk is typically done through a pooling arrangement with other similar entities. There are two group-funded pools organized under state statute, to provide workers' compensation and other insurance needs to Kansas counties. Riley County does not participate in any group-funded pools.[5]

[5] Additional information on risk financing and related matters can be found in: "Limiting Small Town Liability: A Risk Management Primer for Small Town Leaders". Compiled by the National Center for Small Communities and published at: www.riskinstitute.org.